

**DUBUQUE COUNTY HOSPITAL  
AT SUNNYCREST MANOR  
BOARD OF TRUSTEES  
DUBUQUE, IOWA  
FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

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**DUBUQUE COUNTY HOSPITAL  
AT SUNNYCREST MANOR  
BOARD OF TRUSTEES**

**DUBUQUE, IOWA**

**DECEMBER 31, 2004**

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# **O'CONNOR, BROOKS & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

G.L. HARDIN, CPA  
W.H. LEGLAR, CPA  
J.R. ESTLING, CPA  
S.J. DOMEYER, CPA  
M.A. KUEPERS, CPA  
J.W. HANNAN, CPA  
M.P. RUGGEBERG, CPA  
P.C. MCCARTHY, CPA

## **INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Dubuque County Hospital  
at Sunnycrest Manor  
Dubuque, Iowa

We have audited the accompanying balance sheet - cash basis, statement of receipts, disbursements and changes in fund balance - cash basis, and the statement of cash flows of the Dubuque County Hospital at Sunnycrest Manor Board of Trustees as of December 31, 2004, and for the year then ended. These cash basis financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

Also, the Dubuque County Hospital at Sunnycrest Manor Board of Trustees has not adopted GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures for the year ended December 31, 2004. These statements require a new financial reporting format for the Organization's activities under accounting principles generally accepted in the United States of America.

1415 LOCUST STREET  
P.O. BOX 743  
DUBUQUE, IOWA 52004-0743  
PHONE: (563) 582-7224  
FAX (563) 582-6118

MEMBERS OF:  
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
IOWA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

e-mail: oconnorbrooks.com

901 SPRING STREET  
P.O. BOX 294  
GALENA, ILLINOIS 61036  
(815) 777-1880  
FAX (815) 777-3092

In our opinion, except for the omission of the new financial statement format as explained in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances of Dubuque County Hospital at Sunnycrest Manor Board of Trustees as of December 31, 2004, and its cash receipts, disbursements and changes in fund balance and cash flows for the year then ended, on the basis of accounting described in Note 1.

Also, management has not presented the "Management's Discussion and Analysis" information that the Governmental Accounting Standards Board has determined is required to supplement, although not required to be a part of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 28, 2005, on our consideration of Dubuque County Hospital at Sunnycrest Manor Board of Trustees internal control over financial reporting and our tests of its compliance with certain laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

O'CONNOR, BROOKS & CO., P.C.

*O'Connor, Brooks & Co., P.C.*

Dubuque, Iowa  
June 28, 2005

**DUBUQUE COUNTY HOSPITAL  
AT SUNNYCREST MANOR  
BOARD OF TRUSTEES  
DUBUQUE, IOWA**

**BALANCE SHEET - CASH BASIS  
DECEMBER 31, 2004**

**ASSETS**

Cash in bank - checking	\$ 3,203
Cash in bank - savings	217,623
Certificates of deposit	500,316
	-----
Total Assets	\$ 721,142
	=====

**FUND BALANCE**

Fund Balance:	
Unreserved	\$ 721,142
	=====

The accompanying notes are an integral part of these financial statements.

**DUBUQUE COUNTY HOSPITAL  
AT SUNNYCREST MANOR  
BOARD OF TRUSTEES  
DUBUQUE, IOWA**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
FUND BALANCE - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

Receipts:	
County treasurer - taxes	\$ 615,368
Interest	11,328
Miscellaneous	2,739
Rental income	5,700
	-----
Total Receipts	\$ 635,135
	-----
Disbursements:	
Architect/Engineer fees	\$ 36,207
Construction costs	170,032
Repairs	28,061
Furniture, fixtures and equipment	197,148
Office	1,244
Insurance	25,104
Training/Seminars	1,595
Computer services	49,416
Painting services	77,843
Professional fees	1,979
Cleaning/laundry	16,028
Debt service - principal	16,633
Debt service - interest	1,744
	-----
Total Disbursements	\$ 623,034
	-----
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ 12,101
Other Financing Sources:	
Note proceeds	69,415
	-----
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ 81,516
Fund Balance - Beginning of Year	639,626
	-----
Fund Balance - End of Year	\$ 721,142
	=====

The accompanying notes are an integral part of these financial statements.

**DUBUQUE COUNTY HOSPITAL  
AT SUNNYCREST MANOR  
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DUBUQUE, IOWA**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

Cash Flows From Operating Activities:

Excess (deficiency) of receipts over (under) disbursements	\$ 12,101
	-----

Cash Flows From Investing Activities:

Purchases of investments	\$ (258,232)
Proceeds from matured investments	235,499
	-----

Net Cash Provided By (Used By)

Investing Activities	\$ (22,733)
	-----

Cash Flows From Financing Activities:

Note proceeds	\$ 69,415
	-----

Net Increase (Decrease) in Cash	\$ 58,783
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Cash at Beginning of Year	162,043
	-----

Cash at End of Year	\$ 220,826
	=====

Cash Paid for Interest	\$ 1,744
	=====

The accompanying notes are an integral part of these financial statements.

**DUBUQUE COUNTY HOSPITAL  
AT SUNNYCREST MANOR  
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DUBUQUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**Note 1 - Summary of Significant Accounting Policies:**

The purpose of the Dubuque County Hospital at Sunnycrest Manor Board of Trustees is to provide and maintain the buildings and equipment at Sunnycrest Manor. The Board of Trustees exists as a governmental entity pursuant to Section 347.9 of the Code of Iowa and continues to be responsible for the physical facilities at Sunnycrest Manor. The facilities are leased to the Dubuque County Board of Supervisors who use the property as a county care facility operated under Iowa Code Section 347B.

For financial reporting purposes, Dubuque County Hospital Board of Trustees has included all funds, organizations, agencies, boards, commissions and authorities. The Board of Trustees has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Board of Trustees are such that exclusion would cause the Board of Trustees' financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Board of Trustees to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Board of Trustees.

The Dubuque County Hospital Board of Trustees is a governmental taxing entity located in Dubuque County, Iowa. The Board of Trustees receives property taxes from Dubuque County. The Board of Trustees is not a component of any other entity and no other agency has been included as a component unit in the Board of Trustees' financial statements.

**A. Fund Accounting**

The Dubuque County Hospital at Sunnycrest Manor Board of Trustees' accounts are organized on a fund basis. The General Fund is the general operating fund of the Organization. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid from other funds.



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**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**Note 1 - Summary of Significant Accounting Policies: (Continued)**

**B. Basis of Accounting**

The Organization's policy is to prepare its financial statements on the cash basis of accounting; consequently, County Treasurer taxes are recorded when received. Such revenue would, under generally accepted accounting principles, be recorded when the taxes were assessed. Also, the accounting for construction costs and other expenses does not recognize the amounts payable at year end. Such costs and expenses would, under generally accepted accounting principles, be recorded at the time the costs and expenses were incurred. In addition, equipment and capital items are classified as disbursements rather than capitalized and depreciated over their useful lives.

**C. Cash, Cash Equivalents and Deposits**

The Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents.

The Board of Trustees' deposits in credit unions at December 31, 2004, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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**Note 2 - Certificates of Deposit:**

Certificates at December 31, 2004, are recorded at cost which approximates market.

Certificates of Deposit	\$ 500,316
	<u>          </u>

**Note 3 - Long-Term Debt:**

Note payable, payable in monthly installments of \$2,042 including interest at 3.75%, is due for final payment on March 16, 2007.

**DUBUQUE COUNTY HOSPITAL  
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**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**Note 3 - Long-Term Debt: (Continued)**

Long-term debt consists of:

	December 31, 2003			December 31, 2004	Amount Due Within One Year
	Balance	Additions	Payments	Balance	
	-----	-----	-----	-----	-----
Note payable dated March 16, 2004, payable in monthly installments of \$2,042 including interest at 3.75%, due March 16, 2007	\$ ---	\$ 69,415	\$ 16,633	\$ 52,782	\$ 22,915
	=====	=====	=====	=====	=====

Long-term debt requirements to maturity are as follows:

Year Ending December 31,	Principal	Interest	Total
	-----	-----	-----
2005	\$ 22,915	\$ 1,588	\$ 24,503
2006	23,789	714	24,503
2007	6,078	46	6,124
	-----	-----	-----
	\$ 52,782	\$ 2,348	\$ 55,130
	=====	=====	=====

On December 31, 2004, the Organization obtained an irrevocable letter of credit in the amount of \$100,000. The agreement expires April 27, 2005.

**Note 4 - Risk Management:**

Dubuque County Hospital at Sunnycrest Manor Board of Trustees is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**Note 5 - Budget:**

The Dubuque County Hospital at Sunnycrest Manor Board of Trustees adopts an operating budget on a fiscal year basis. These financial statements do not include a comparison to budget as their fiscal year ends on June 30 and these statements are on a calendar year basis.

In accordance with the Code of Iowa, the Board of Trustees adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

**Note 6 - Leases:**

A lease agreement was executed on January 29, 2001, and March 12, 2001. The Dubuque County Hospital at Sunnycrest Manor Board of Trustees leases to Dubuque County the following property:

Lot 3 of the Subdivision of Mineral Lot 306 in the City of Dubuque, Dubuque County, Iowa upon which certain health care facilities and buildings presently exist.

The term of the lease is 10 years in which rent of \$10 is due at the beginning of each year.

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The Dubuque County Hospital at Sunnycrest Manor Board of Trustees entered into two agreements to lease tower and building space. One lease is dated April 30, 2000, and expires January 1, 2011. Rent is due in annual installments of \$1,200. The second lease is dated June 11, 2001, and expires on January 31, 2011. Rent is due in annual installments of \$4,500.

At December 31, 2004, future lease payments due are as follows:

12/31/05	\$ 5,710
12/31/06	5,710
12/31/07	5,710
12/31/08	5,710
12/31/09 and thereafter	11,420
	-----
	\$ 34,260
	=====

**DUBUQUE COUNTY HOSPITAL  
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DUBUQUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**Note 7 - Subsequent Events:**

On April 27, 2005, the Organization obtained an irrevocable letter of credit in the amount of \$200,000. The agreement expires September 30, 2005.

# **O'CONNOR, BROOKS & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

G.L. HARDIN, CPA  
W.H. LEGLAR, CPA  
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S.J. DOMAYER, CPA  
M.A. KUEPERS, CPA  
J.W. HANNAN, CPA  
M.P. RUGGEBERG, CPA  
P.C. MCCARTHY, CPA

## **REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees  
Dubuque County Hospital at Sunnycrest Manor  
Dubuque, Iowa

We have audited the cash basis financial statements of Dubuque County Hospital at Sunnycrest Manor Board of Trustees, as of and for the year ended December 31, 2004, and have issued our report thereon dated June 28, 2005. Our report on the financial statements, which were prepared in conformity with another comprehensive basis of accounting, expressed a qualified opinion since the Dubuque County Hospital at Sunnycrest Manor Board of Trustees did not adopt GASB Statement Nos. 34, 37, and 38. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether Dubuque Country Hospital at Sunnycrest Manor Board of Trustees' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Dubuque County Hospital at Sunnycrest Manor Board of Trustees' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider

1415 LOCUST STREET  
P.O. BOX 743  
DUBUQUE, IOWA 52004-0743  
PHONE: (563) 582-7224  
FAX (563) 582-6118

MEMBERS OF:  
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
IOWA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

e-mail: oconnorbrooks.com

901 SPRING STREET  
P.O. BOX 294  
GALENA, ILLINOIS 61036  
(815) 777-1880  
FAX (815) 777-3092

to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Dubuque County Hospital at Sunnycrest Manor Board of Trustees' ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Current year reportable conditions are as follows:

- 1) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one individual performs substantially all of the significant accounting functions.

Recommendation - We realize that with a limited number of employees, segregation of duties is difficult. We recommend that the bank statements continue to be delivered directly to the Treasurer for review. The Board of Trustees should also continue to have the President and Secretary sign all checks. The Dubuque County Hospital at Sunnycrest Manor Board of Trustees should continue to review its operating procedures to obtain maximum internal accounting control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe the reportable condition described above is also a material weakness. This material weakness was also noted in the prior years audit.

This report is intended solely for the information and use of the Board of Trustees and management and is not intended to be and should not be used by anyone other than these specified parties.

O'CONNOR, BROOKS & CO., P.C.

O'Connor, Brooks & Co., P.C.

Dubuque, Iowa  
June 28, 2005